

WEB SITE ONLY

INFORMATIONAL BULLETIN Ins Regarding 2000 CHAPTER 315 (SB 393) PRODUCER LICENSING

BACKGROUND

The New Hampshire Insurance Department sought legislation that would both simplify and streamline the licensing process for all insurance producers. Following the lead of the National Association of Insurance Commissioners (NAIC), the Department sought legislation based on the recently adopted Producer Licensing Model Act. This model law was developed with an eye towards recently enacted federal legislation, in particular the Gramm-Leach-Bliley Act, and with an eye towards the NAIC State Regulation 2000 initiatives. These initiatives, for which Commissioner Rogers has committed the Department, have been adopted to address the use of technology in the regulation of insurance. The goal of these initiatives is to leverage new technology to make us more efficient and more effective regulators. For more information regarding these initiatives, visit the NAIC web site at www.naic.org.

Licenses issued under the prior law include the following:

- Agent licenses were issued to individuals and business entities, i.e. agencies, for each authorizing company. An agent license allows an individual, or an entity, to bind the authorizing company. Different licenses were issued for varying lines of business.
- Broker licenses were issued to individuals and business entities. A broker licensee may negotiate insurance transactions; but may not bind an insurance company.
- Consultant licenses were issued to individuals and business entities. A consultant licensee may give consul and advise regarding insurance transactions.

Under the new law, instead of issuing the various types of licenses named above, all qualified individuals and entities will be issued a Producer license. Producers may act as consultants, brokers or agents. Similar to the old law, to act as an agent of a company,

the company must authorize, or appoint, the producer. Companies make such appointments through the Department. Company appointments are considered valid until either cancelled by the appointing company or until the producer license is cancelled or non-renewed.

Example: John Doe currently has three New Hampshire licenses:

- 1. an agent's license to write for ABC Insurance Company,*
- 2. a variable agent's license to write for ABC Variable Life Insurance Company, and*
- 3. a broker's license.*

Under the new law, John Doe will need only one producer license. Assuming ABC Insurance Company and ABC Variable Life Insurance Company both register or appoint John Doe with the Department, then John Doe would continue to enjoy the same authorities under the new law as he does under the old law.

The purpose of this bulletin is to provide some details regarding how the Department will transition existing licensees to a new producer license. As you read this bulletin, remember that all existing licenses remain valid until they are either cancelled or non-renewed. For most licensees, this means that no action will need to be taken until their first license is up for renewal.

Example: Mary Contrary just renewed her broker's license on October 2, 2000. She has no other license through the NH Insurance Department. Her broker's license will remain valid through September 30, 2002, and she could continue to produce under this license through that date.

GENERAL INFORMATION

The effective date of the RSA 402-J, Producer Licensing is January 1, 2001. From this date forward, the Department will only issue producer licenses. Agent, agency, broker, and consultant licenses that have been issued prior to that date will remain valid until their renewal date.

No change will take place in the way the Department processes and issues insurance adjuster licenses.

The Department has worked with representatives of various local insurance agent and broker associations. Representatives of these associations have reviewed drafts of this bulletin and their input has proven invaluable as the Department has set up these transition guidelines.

Probably the biggest change that licensees will notice involves the Department's utilizing the licensee's birth date (or in the case of corporate licensees, the incorporation date) to establish expiration (i.e. renewal) dates for newly issued producer licenses. The effect of this change, and other transitional issues, are discussed herein.

DEEMED PRODUCER LICENSES

To facilitate the transition process, on January 1, 2001, the effective date of the new law, qualified, existing licensees will be 'deemed' to have a valid single producer license. The deemed producer license will be for the lines of authority currently enjoyed by the individual or business entity on any valid license the individual or business entity currently possesses. The deemed producer license will enable the licensee to continue to add new company appointments to the licensee's resume. These new appointments will not be made via the agent licensing process of the past; but rather companies will need to appoint authorized producers as described below.

Example: Dudley Writemore has a P&C agent license that provides writing authority for Allsafe Insurance Company, which was renewed on June 15, 1999. To renew his license, Dudley satisfactorily demonstrated compliance with NH's continuing education requirements on or before April 15, 1999. This license will expire on June 14, 2001.

On August 1, 2000, the Department issued another P&C agent license to Dudley, which provides writing authority for At-Risk Insurance Company. This license will expire on June 14, 2002.

On March 1, 2001, Dudley wants authority to write P&C business for Take-A-Risk Insurance Company. The Department will not issue Dudley, nor accept an application for, a P&C license authorizing Dudley to write for Take-A-Risk.

Instead, as of January 1, 2001, the Department will consider Dudley as if he has been issued a producer license authorizing him to write P&C lines. As a producer, Take-A-Risk must register Dudley with the Department so that Dudley may enjoy agent authority with this company.

An existing licensee would not qualify if the licensee, under the prior law, would not be issued an agent's license (under the prior law) on January 1, 2001 because of the licensee's standing on that date with respect to Continuing Education requirements. All other licensees will qualify for the deemed producer license.

In general, qualified existing licensees are those licensees who at the time they obtained their last license, excluding variable licenses, had completed all requirements for licensure, including completion of continuing education requirements.

Example: Awn DeWayout has a life agent license authorizing Awn to write for Your Money or Your Life Insurance Company that was issued on June 15, 1999. Awn satisfactorily demonstrated compliance with NH's continuing education requirements on April 14, 1999.

Awn also had a life agent license that was non-renewed on June 14, 2000 which authorized Awn to write for What's In A Life Insurance Company. This license was non-renewed because Awn failed to satisfactorily demonstrate compliance with NH's continuing education requirements on April 14, 2000.

*The Department will not treat Awn as having a valid producer license as of January 1, 2000. **This would be the case regardless of whether Awn received an extension to the April 14, 2000 demonstration deadline.***

Except for certification letters that are needed by resident producers applying for non-resident licenses in other states, the Department will not be issuing any document verifying that any licensee has been deemed to have a valid producer's license as of January 1, 2001. The Department has recently contracted with ASI to handle administration and maintenance of New Hampshire licensee continuing education requirements. Instead, licensees should verify their status, i.e. where the licensee stands with respect to NH's continuing education requirements, by contacting ASI through their web site at <http://www.asisvcs.com>.

"Deemed" producer licenses will expire at the first expiration date of any license concurrently held by the licensee; unless the first license to expire is a variable agent license, in which case, the "deemed" producer license will expire at the next license expiration date.

Example: Avary Lines has a variable agent license that will expire February 28, 2001 and a life agent license that will expire June 14, 2001. Avary's deemed producer license will expire on June 14, 2001.

Approximately 60 days prior to the date, on which the deemed producer license will expire, the Department will mail the licensee a semi-completed application form. This application form **must** be completed and returned to the Department with the appropriate fees. The semi-completed application form will specify the types of licenses currently held by the licensee and the lines of authority for which the license will be deemed valid; and will request new information on mailing address, birth date, etc.

CAUTION: The address utilized by the Department will be the address where the last affected license was mailed. Licensees are encouraged to ensure that the Department has their correct mailing address by completing an electronic form on the [Department's web site](#).

FIRST OFFICIAL PRODUCER LICENSE

The process used by the Department to issue the first official producer license will vary for existing licensees following the procedures outlined below for existing licensees and all other licensees.

Official Producer License Expiration Dates

In an effort to more uniformly distribute license renewals throughout the year, the Department will be instituting a policy where producer license renewal dates will be a function of the licensee's birth date. The Department will use the incorporation date as a proxy for the licensee's birth date for corporate licensees. For licensee's whose birth date is in either January, February or March, the producer license will expire on the second January 31st following the issued date of the license. For licensee's whose birth date is in

either April, May or June, the producer license will expire on the second April 30th following the issued date of the license. For licensee's whose birth date is in either July, August or September, the producer license will expire on the second July 31st following the issued date of the license. For licensee's whose birth date is in either October, November or December, the producer license will expire on the second October 31st following the issued date of the license.

Procedures for Existing Licensees

An existing licensee will be given the opportunity to apply for their first official producer license approximately 60 days before the earliest renewal date of any license, excluding variable agent licenses, held by the licensee as of January 1, 2001, i.e. 60 days before the deemed producer license will expire. The Department will send licensee a partially completed application for the new producer license. The completed parts of the application will include the licensee's SSN or FEIN and the lines of authority currently enjoyed by the licensee. Uncompleted parts of the application will include the licensee's birth date or incorporation date and e-mail address. The licensee should take the time to review the completed parts, making corrections as necessary, and to complete the uncompleted parts.

The Department will be using the NAIC Uniform Producer Application. A blank copy of the application can be obtained from the Department's web site: www.state.nh.us/insurance.

The producer license will be issued the day after the deemed producer license expires.

The fee, for existing licensees following this procedure, will be prorated according to the following formula: (Number of whole months until the producer license's renewal date)/24 * \$6.25. The instructions will show the calculated fee due for each of the four possible renewal dates based on the anticipated producer license's anticipated issue date.

As is the Department's current practice, continuing education requirements must be satisfied sixty days prior to the anticipated issue date. The Department will rely on ASI for information regarding dates, times and credits for courses completed.

Non-resident licensees must send a "Letter of Certification" from the licensee's state of domicile with the completed application and fees.

Example: Thomas Turkey's birth date is November 25th. His deemed producer license will expire on June 14, 2001. Tom will have the opportunity to apply for a producer license that will be issued on June 15, 2001 with an expiration (renewal) date of October 31, 2002. Since there are 16 complete months between June 14, 2001 and October 31, 2002, the fee for this license will be \$100.

Alternative Procedures for Existing Licensees

Existing licensees may need to procure a producer license prior to the expiration of the deemed producer license. For example, deemed producer licenses will not be amended. Therefore, an existing licensee wishing to add a new line of authority will need to obtain a producer license.

Applicants should obtain a copy of the application and instructions from the Department's web site: www.state.nh.us/insurance. The appropriate fee, i.e. the license fee of \$150, must accompany the application. The license will be issued with an expiration date as described in Official Producer License Expiration Dates above.

Existing licensees who fail to obtain their first official producer license in the manner described above will also need to follow these procedures.

Example: June Baby, born on June 21st, has a P&C license that will expire on June 14, 2001; but, June, having recently completed the necessary requirements to write life, accident and health insurance lines, wants to be able to market some life insurance products before June 15, 2001. Therefore, she makes an application for a producer license for both P&C insurance and life, accident and health insurance authorities with the Department on February 15, 2001. With the application, she remits the \$150 license fee. On March 10, 2001, the Department issues her a producer license with an expiration date of April 30, 2002.

Example: Thomas Turkey, as described above, decides not to take advantage of the Department's opportunity to apply for a producer license that would be effective on June 15, 2001. Tom has the following licenses:

- *a variable agent's license with ABC Variable Life Insurance Company that has an expiration date of February 28, 2001,*
- *a life, accident and health agent's license with ABC Life Insurance Company that has an expiration date of June 14, 2002 and*
- *a P&C agent's license with ABC Property and Casualty Insurance Company that has an expiration date of June 14, 2001.*

ABC Variable Life Insurance Company registered Tom with the Department so that he would continue to enjoy agent authority with the company after February 28, 2001.

However, Tom failed to file his application for a producer license to take effect on June 15, 2001. His deemed producer license would expire on June 14, 2001. His authority to write for ABC Variable Life Insurance Company would expire on June 14, 2001. His authority to write for ABC Property and Casualty Insurance Company would expire on June 14, 2001. His authority to write P&C insurance products as well as variable insurance products would expire on June 14, 2001. His life, accident and health agent license would remain valid and he would continue to enjoy writing authority, until June 14, 2002, for ABC Life Insurance Company.

On December 1, 2001, Tom makes an application with the Department for a Producer license for variable, life, accident and health and P&C lines of authority. The

fee for this license would be \$150. Having satisfied the necessary requirements, the Department then issues a producer license on December 10, 2001 with an expiration date of October 31, 2003.

Once this producer license is issued, ABC Variable Life Insurance Company and ABC Property and Casualty Insurance Company would need to appoint Tom with the Department in order for Tom to have agent authorities with these companies. ABC Life Insurance Company could appoint Tom at this time; but would not need to do so until his agent license expires on June 14, 2002.

Example: Life Lines Agency renewed its agency license on June 15, 2000 for life, accident and health insurance lines of business. The agency was incorporated on November 15, 1906. The agency wants to be able to market variable insurance products. An application, on the new uniform application blank, is made in March 2001 and a new producer license is issued on April 1, 2001 reflecting all the lines of business for which the agency is authorized. This producer license will cost \$150 and will expire on October 31, 2002.

Example: Eddie Mony was issued his official producer license on June 15, 2001. This producer license indicated that Eddie was authorized to write life, accident and health insurance lines of business. Eddie wants to add variable authorities. He makes an application and returns his original license for amendment in November 2001. The amendment fee is \$50. This will have no effect on the license's expiration date. The amended license was returned to Eddie on December 1, 2001.

Procedures for First Time Licensees

Procedures for first time licensees will not vary much from the procedures in place today. Upon receipt of the proper application and necessary documentation, application fee of \$60 and license fee of \$150, a producer license will be issued. The Department will require a separate check for each fee. Application fees are non-refundable. The producer license fee will be refunded if the Department is unable to issue a license.

Example: I.M. New makes an application for a producer license on February 14, 2001. I.M.'s birth date is December 12th. The Department issues the new producer license on February 21, 2001 with an expiration date of October 31, 2002.

CONTINUING EDUCATION DEMONSTRATIONS

The Department requires resident licensees to demonstrate compliance with New Hampshire's continuing education requirements 60 days prior to the license's renewal date. This policy will not change as the Department transitions to the new law.

Example: Leo Lion has an August birth date. He has an agent's license that will expire on June 14, 2001. Leo had taken three 10-credit courses, one on November 1, 1999, one on May 1, 2000 and one on November 1, 2000. With these courses, he was current with his continuing education requirements on April 14, 2001 and thus was able to apply for

and be issued a producer's license as of June 15, 2001. This producer license will expire on July 31, 2002. In order for Leo to renew this license, he will need to be current with his continuing education requirements on May 31, 2002. The course that Leo took on November 1, 2000 will count towards those continuing education requirements. However, Leo will have to bank at least 20 more credit hours between April 14, 2001 and May 31, 2002.

COMPANY APPOINTMENTS

Companies who wish to authorize producers to be authorized agents of the company need to appoint the producer with the Department. Appointments will last until cancelled by the authorizing company or until the producer license expires, whichever occurs first. Companies may appoint deemed producers as if the licensee has a valid producer license. Appointments for deemed producers, who obtain a producer license in accordance with the Procedures for Existing Licensees, will continue to be valid through the issuance of the first official producer license. Further, appointments will continue to be valid as long as producer licensees are renewed and maintained by the licensee.

On or about January 1, 2001, companies will be notified of NH licensees who have been deemed to have a valid producer license as of that date and who currently enjoy agent privileges with the company through some type of agent's license. The company may elect to appoint these eligible licensees immediately, or may elect to wait until the licensee obtains an official producer license.

Variable companies should note that variable agent licenses will expire on February 28, 2001 and that no producer licenses will be issued at that time. Variable companies desiring to maintain continued authority for a licensee would need to appoint the licensee no later than March 1, 2001.

Appointments will only be accepted where the lines of authority of the producer and the lines of authority of the insurance company are consistent. For example, a variable company could not appoint a producer who is not authorized to write variable lines of business.

The Department will work through the NAIC, in particular, the Producer Information Network (PIN), to electronically process company appointments. The Department expects to be able fully integrate with PIN by the spring of 2001. In the meantime, forms for hard copy submissions can be obtained from the Department's web site, www.state.nh.us/insurance.

The fee for appointing a producer is \$25.00. The fee for terminating an appointment is \$25.00.

SCOPE

The new legislation, RSA 402-J:3 requires any individual or entity engaged in either selling, soliciting, negotiating or consulting on insurance transactions to be licensed. This does *not* represent any significant change from the Department's prior licensing standards. For example, RSA 402:26, which will be repealed, uses similar terms, in particular 'negotiate' and 'solicit'.

Representatives of several producer associations have suggested that the new law may, in fact, involve an expansion of scope and would require more individuals involved in agency operations to be licensed. The Department does not agree with this interpretation.

In our discussions with these representatives, questions have arisen regarding licensable activities. While the Department believes that the law is clear, if there is an interest or need, it will promulgate a regulation to identify licensable activities. In the mean time, interested parties can reference the implementation guidelines adopted by an NAIC working group that worked on this model legislation, http://www.naic.org/NARAB/guidelines_4b8.pdf. These guidelines delineate licensable activities from non-licensable or clerical activities. Again, it is the opinion of the Department that the activities listed as licensable in these guidelines would have required a license under the laws that were in effect prior to January 1, 2001. Further, it is the Department's opinion that these activities will require a license under the laws that will be in effect as of January 1, 2001.

LINES OF AUTHORITY

Producer licenses will be annotated to note the following insurance lines of authorities.

- Life (includes annuities)
- Accident and Health
- Property and Casualty
- Variable (Must be authorized for Life)
- Surplus pursuant to RSA 416 (Must be authorized for Property and Casualty)
- Title pursuant to RSA 416-A
- Limited Credit pursuant to RSA 408-A
- Limited Travel Agent pursuant to RSA 402:16-a
- Limited Road Service pursuant to RSA 407-C

Licenses issued to resident producers will be annotated only with the above named lines. For reciprocity purposes, the Department will recognize other limited lines of authority to the extent non-resident producers are seeking lines of authority consistent with those permitted by their state of domicile. In these instances, a producer license will be issued with the limitations appropriately annotated directly on the license.

FURTHER QUESTIONS

The Department wants to be as responsive as it can to questions and concerns regarding transition from existing licenses to producer licenses. Licensees are encouraged to visit the Department's web site. The Department will be maintaining a list of frequently asked questions and will be posting other information as necessary to be as helpful and responsive as it can be. The Department's web site address is www.state.nh.us/insurance.

The Department appreciates the time and effort undertaken by the following associations and their representatives to work with the Department on formulating these transition guidelines and agreeing to work with their members to disseminate information regarding the issues this transition presents. Licensees and insurance companies are encouraged to contact representatives from the trade organizations to which they belong with questions, comments or concerns regarding these transition guidelines and any related issues. Department staff is not prepared to field questions from each and every licensee. The Department encourages all licensees and insurance company representatives to make use of the Department's web resources and those individuals named below, who have so graciously volunteered their time, before contacting the Department with a specific question or issue.

ASSOCIATION	CONTACT	TELEPHONE	E-MAIL
AAI Alliance of American Insurers	Frank O'Brien	617-723-1976 617-227-3590/f	fobrien@allianceai.org
ACLI American Council of Life Insurers	George Roussos Bonnie Packard Orr & Reno	224-2381 224-2318/f	groussos@orr-reno.com bpackard@orr-reno.com
AIA American Insurance Assoc.	Martin Gross Sullo way & Hollis	224-2341 224-2557/f	mgross@sullo way.com
HIAA Health Insurers Assoc. of America	Eric Taylor Gallagher, Callahan & Gartrell	228-1181 226-3477/f	taylor@gcglaw.com

ASSOCIATION	CONTACT	TELEPHONE	E-MAIL
IIANH Independent Insurance Agents of NH	Stan Burbank	224-3965 800-559-3373 224-0550/f	biginh@aol.com
NAIFA (NHALU) Nat. Assoc. of Insurance & Financial Advisors	Angeljean Chiaramida	800-480-8719	www.naifanh.org
NAII Nat. Assoc. of Independent Insurers	Rick Newman Michael McLaughlin Capitol Insights Group, Inc.	226-9600 224-5724/f	capgroup@chi.tds.net
NEFSA New England Financial Services Assoc.	James Demers Bob Blaisdell The Demers Group	228-1498 228-3963/f	nefsa@aol.com
NHADA N.H. Automobile Dealers Assoc.	Daniel McLeod Brendan Perry	224-2369 225-4895/f	nhada@tiac.net
NHADIC N.H. Assoc. of Domestic Insurance Cos.	George Roussos Bonnie Packard Orr & Reno	224-2381 224-2318/f	groussos@orr-reno.com bpackard@orr-reno.com
NHAHU N.H. Assoc. of Health Underwriters	Greta Cocco	622-0984	gretacocco@aol.com
NHBA N.H. Bankers Assoc.	Gerry Little Diane Vickers	224-5373 224-3381/f	dvickers@nhbankers.co m

ASSOCIATION	CONTACT	TELEPHONE	E-MAIL
PIANH Professional Ins. Agents of NH	Resource Center	800-424-4244 888-225-6935/f	resourcecenter@piaonline.org

After referencing the Department's web site and contacting one of the above named associations, if further assistance is necessary, the Department has set up a special e-mail account for inquiries relating to this bulletin and the newly enacted legislation. Questions can be e-mailed to ProducerQuestions@ins.state.nh.us. This mailbox will be reviewed periodically with answers being posted on the web. The Department anticipates that it will not be able to respond to phone inquiries and those with questions are discouraged from phoning the Department directly.

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